

BEFORE THE KANSAS CORPORATION COMMISSION

OF THE STATE OF KANSAS

In the Matter of the Application of The)
Victory Electric Cooperative Association,)
Inc. Seeking Commission Approval to)
Update Its Local Access Delivery Service) Docket No. 22-VICE-____-____
Tariff Pursuant to the 34.5kV Formula)
Based Rate Plan Approved in Docket No.)
21-SEPE-049-TAR.)

PREFILED DIRECT TESTIMONY OF

**SHANE LAWS
CHIEF EXECUTIVE OFFICER
THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.**

ON BEHALF OF

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.

May 2, 2022

TABLE OF CONTENTS

PART I - QUALIFICATIONS	1
--------------------------------------	----------

PART II - SUMMARY OF DIRECT TESTIMONY	2
--	----------

TABLES

Table 1 - Victory (Mid-Kansas Division) 2021 Distribution Equity Ratio	4
Table 2 - Victory (Mid-Kansas Division) 2021 Investment in Associated Organizations	5
Table 3 - Victory (Mid-Kansas Division) COS Item Comparison After Allocation	6

PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Shane Laws. My business address is 3230 North 14th Avenue, Dodge City, Kansas.

Q. What is your profession?

A. I am Chief Executive Officer ("CEO") of The Victory Electric Cooperative Association, Inc. ("Victory" or "Cooperative"). As Victory's CEO, I am also a member of the Board of Sunflower Electric Power Corporation ("Sunflower").¹

Q. What is your educational background?

A. I graduated from The University of Texas at Arlington in May 1997 with a Bachelor of Business Administration degree with an emphasis in Management. I completed the Robert I. Kabat Management Internship Program at The University of Nebraska, Lincoln in May 2000. In December 2006, I earned a Master of Business Administration degree from Texas Woman's University located in Denton, Texas.

Q. What is your professional background?

A. Prior to becoming the Chief Executive Officer of Victory in 2013, I was the Director, Retail Programs for CoServ Electric in Corinth, Texas. I was directly responsible for a project engineering department that designed and contracted large-scale residential and commercial developments as well as an energy management department that provided residential/commercial audit services and administered a residential/commercial rebate program. In addition, I provided oversight for the Cooperative's rates and cost of service ("COS") studies and tariffs. I have served in various capacities with three electric cooperatives spanning 25 years.

Q. Have you previously presented testimony before the Kansas Corporation Commission ("KCC" or "Commission")?

1 A. Yes. I have provided testimony in Docket Nos. 16-MKEE-023-TAR ("16-023 Docket"), 16-
2 VICE-494-TAR, 17-VICE-481-TAR, 18-VICE-479-TAR, 19-VICE-448-TAR ("19-448
3 Docket"), 20-VICE-437-TAR, 21-VICE-412-TAR and 21-SEPE-049-TAR ("21-149
4 Docket").

5
6 **PART II - SUMMARY OF DIRECT TESTIMONY**

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of my testimony is as follows:

- 9 1. Affirm Victory's support for the calculation of the wholesale demand rate for the Local
10 Access Delivery Service ("LADS") service over Victory's 34.5kV sub-transmission
11 system (Mid-Kansas division) as contained in Ms. Larson's Prefiled Direct Testimony.
- 12 2. Confirm that Victory will notify its customers as required in Section C of the
13 Commission-approved 34.5kV FBR Protocols ("Protocols") (attached to the April 15,
14 2021 Commission Order Approving Unanimous Settlement Agreement as Attachment
15 A2 to Exhibit A in the 21-049 Docket).
- 16 3. Attest to the Equity Test requirement noted in Section G of the Protocols.
- 17 4. Provide the information required by Item No. 10 listed in Section F of the Protocols.

18 **Q. What is Victory's opinion concerning the proposed 2022 34.5kV FBR rate of \$2.81/kW?**

19 A. Victory's Staff has provided the data necessary for the calculations as contained in the
20 populated 34.5kV FBR template attached to the Application filed in the instant Docket as
21 Exhibit 5. Cooperative Staff has reviewed the exhibit and the supporting work papers and is
22 in agreement that the resultant rate was calculated in accordance with Victory's 34.5kV FBR
23 Protocols as approved by the Commission.

24
25

1 **Q. Do you agree with a one-time extraordinary adjustment made to exclude debt**
2 **service associated with the Storm Uri in this year's filing as described in Ms. Larson**
3 **Prefiled Testimony?**

4 A. Yes. Victory deferred debt related to extraordinary purchased power costs incurred in
5 February 2021 as a result of Storm Uri and established a retail rider set to recover these costs
6 from its retail members over a predetermined period of time. As Ms. Larson noted on page 9
7 of her Prefiled Testimony filed in the instant Docket, the said extraordinary costs are
8 segregated and clearly identifiable as shown in Exhibit 8, also provided in the instant Docket.
9 Accordingly, Victory believes this rate, as detailed in Ms. Larson's Prefiled Direct Testimony
10 and included in the proposed LADS tariff, is just and reasonable, as it is based on the cost of
11 service ("COS") and follows the Commission-prescribed methodology.

12 **Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of**
13 **Victory's 34.5kV FBR Protocols, will be fulfilled.**

14 A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the actual
15 Docket Number is known to the Cooperative), all customers taking wholesale LADS from
16 Victory will receive notice of the filing when it is made with the Commission. Such notice
17 may be made via electronic mail or bill insert and will contain the following information:

- 18 1. The date the filing was made with the Commission and the docket number assigned.
- 19 2. The amount of the revenue adjustment sought.
- 20 3. The resulting rate impact.
- 21 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV
22 FBR, with a cite to Docket No. 21-SEPE-049-TAR and the date of the Commission's
23 April 15, 2021 Order approving the application for continuation of Victory's 34.5kV
24 FBR for another five-year term.
- 25 5. A Victory contact person name and phone number for questions.

1 **Q. Please address the Equity Test requirement as noted in Section G of the 34.5kV FBR**
2 **Protocols.**

3 A. Per Section G of the Protocols, Pages 9 and 10, Victory must notify the Commission when its
4 distribution equity ratio (for the Mid-Kansas division) reaches 36.31 percent, which would
5 signal the re-evaluation of the currently-approved Operating Times Interest Earned Ratio
6 ("OTIER") and Modified Debt Service Coverage ("MDSC") metrics as used in the 34.5kV
7 FBR.

8 **Q. Has Victory (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2021**
9 **Test Year?**

10 A. Yes. The Table 1 on the following page evidences that for 2021, Victory's Distribution Equity
11 Ratio (for the Mid-Kansas division), calculated to be at 30.46 percent, was below the
12 prescribed 36.31 percent threshold. Per the 34.5kV FBR Protocols, this ratio is to be calculated
13 exclusive of equity in or from associated organizations. Note that the majority of such
14 excludable equity, as evidenced in Table 2, on the following page, is represented by Victory's
15 investment in Mid-Kansas.¹

24
25 ¹ If Storm Uri deferred debit amount of \$4,660,219 (MKEC division portion) is removed, the
Distribution Equity percent is 32%, still below the cap.

Table 1. Victory (Mid-Kansas Division) 2021 Distribution Equity Ratio			
Excluding investment in Associated Organizations			
2021			
Bal. Sheet			
<u>Ln. No.</u>			
29	Total Assets & Other Debts	\$	121,864,931
36	Total Margins & Equities	\$	54,718,930
8	Investment in Associated Organizations - Patronage Capital	\$	25,310,568
9	Investment in Associated Organizations - Other - General Funds	\$	-
10	Investment in Associated Organizations - Other - Nongeneral Funds	\$	-
	Total Investment in Associated Organizations	\$	25,310,568
Distribution Equity Ratio		$\frac{\text{Ln 36} - (\text{Ln 8} + \text{Ln 9} + \text{Ln 10})}{\text{Ln 29} - (\text{Ln 8} + \text{Ln 9} + \text{Ln 10})} = \boxed{30.46\%}$	

Table 2. Victory Electric (Mid-Kansas Division) 2021 Investment in Associated Organizations		
2021		
Bal. Sheet		
<u>Ln. No.</u>	<u>Description</u>	<u>Amount</u>
	Cooperative Response Center - Equity Investment	\$ -
	Federated Insurance Capital Credits	\$ -
	Kansas Electric Cooperatives - Capital Credits	\$ -
	Farmway Co-op - Capital Credits	\$ -
	NRUCFC - Capital Credits	\$ 192,076
	Rural Telephone Capital Credits	\$ -
	Mid-Kansas Electric Company - Capital Credits	\$ 6,302,626
	Sunflower Electric Power Corporation - Capital Credits	\$ 6,138,606
	CoBank - Capital Credits	\$ -
	National Information Solutions Cooperative - Capital Credits	\$ -
	National Rural Telecommunications Cooperative	\$ -
		\$ 12,633,308
	Mid-Kansas Electric Company - Margins Allocation	\$ 12,677,260
Total Investment in Associated Organizations		\$ 25,310,568

Q. Now please discuss the information required for Item No. 10 on the list of required filing exhibits as contained in the Filing Exhibits Section E of the Protocols.

A. Item No. 10 requires the Cooperative to provide a summary explanation of any material increases from the previous year (where “material” is quantified to be over 10 percent) in a COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on Exhibit 5, Page 1, submitted in the instant Docket against the same categories as approved last year in the Docket No. 21-VICE-412-TAR, no 2021 COS items were identified as showing over a 10 percent increase. See the following summary in Table 3.²

Table 3. Victory (Mid-Kansas Division) COS Item Comparison					
COS Item Description	2021 FBR Approved Revenue Requirement	2022 FBR Revenue Requirement	Diff \$	Diff \$	
<u>Operating Expenses</u>					
Transmission O&M	\$ 674,673	\$ 635,016	\$ (39,656)		-6%
Administration & General	\$ 41,225	\$ 41,839	\$ 614		1%
Depreciation & Amortization					
Transmission	\$ 640,789	\$ 654,747	\$ 13,958		2%
General Plant	\$ 1,600	\$ 1,559	\$ (41)		-3%
Property Tax	\$ -	\$ -	\$ -		
Other Taxes	\$ -	\$ -	\$ -		
L.T. Interest	\$ 874,245	\$ 834,782	\$ (39,463)		-5%
Interest Charged to Construction	\$ -	\$ -	\$ -		
Interest - Other	\$ 20,999	\$ 535	\$ (20,463)		-97%
Other Deductions	\$ 6,059	\$ 6,348	\$ 290		5%
<u>Margin Requirement Components</u>					
Principal Payments	\$ 869,802	\$ 690,036	\$ (179,767)		-21%
L.T. Interest	\$ 874,245	\$ 834,782	\$ (39,463)		-5%

Q. What is your final recommendation to the Commission?

A. I support Ms. Larson’s recommendation to approve Victory’s Application in the instant Docket, as the resultant rate is reflective of the COS, was calculated in accordance with the

² Values displayed are rounded to the nearest dollar/percent.

Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is in the public interest.

Q. Does this conclude your testimony?

A: Yes, it does.

VERIFICATION OF SHANE LAWS

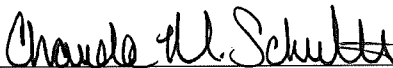
STATE OF KANSAS)
) ss:
COUNTY OF FORD)

Shane Laws, being first duly sworn, deposes and says that he is the Shane Laws referred to in the foregoing document entitled "Prefiled Direct Testimony of Shane Laws" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.


Shane Laws

SUBSCRIBED AND SWORN to before me this 2 day of May 2022.




Notary Public

My Appointment Expires: 7-06-2022